E-Rate Update

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Introduction

On-Tech is a technology consulting firm focused on managing the E-Rate process for schools and libraries. We provide a full range of E-Rate services for applicants, including: handling the entire application process; consulting on construction projects to ensure maximum E-Rate funding; and reviewing proposals to ensure E-Rate compliance. In addition, On-Tech obtains E-Rate funding for school construction projects.

On-Tech is not associated with any service provider.

Dan Riordan has been involved with the E-Rate since 1997, when he was trained by the New Jersey Department of Education to offer assistance to districts in completing the application. Since then, he has worked on the E-Rate as a trainer, a district technology coordinator, and now a consultant.

What is the E-Rate?

The Universal Service Fund was created by the Telecommunications Act of 1996, and began distributing funding in 1998. Telecommunications carriers pay into a fund which is then used to subsidize telecommunications and data communications for districts. The program has provided roughly $2.25 billion to schools and libraries annually since 1998.

Subsidies (called "discounts") are a percentage of a district's expenditures on telecommunications and Internet access. The level of discount ranges from 20% to 90%, and is calculated based on the percentage of students eligible for the National School Lunch Program. For districts with multiple schools, the discounts for individual schools can be combined, or schools can apply individually.

Common Misconceptions

Only low-income districts receive funding.

Many districts are confused about this. The fact is that in every year of the E-Rate program, for telecommunications and Internet-access funding, **every district that has applied properly has received the full amount** for which it was eligible. Only funding for "internal connections" has been unavailable to some districts. See the *Priority One vs. Priority Two* section of this handout.

Our district is too small to bother with the E-Rate.

Any district can benefit from the E-Rate. As an example, with a discount of 40%, if you pay $20 per month for each of you phone lines, you will receive $96 per year on each phone line your district uses. If you pay $800 per month for your T-1 Internet connection, with a 40% discount you will receive $3,840 per year.

The paperwork is overwhelming.

The administrative burden to complete the application is considerable. If the burden of learning the rules and filling out all the forms is too much, consider hiring an E-Rate consultant to handle your application.

Without a Web filter, our district is not eligible.

The Children's Internet Protection Act (CIPA) restricts federal funding for districts which do not have a filter to protect students from inappropriate Web sites. Compliance with CIPA is **not required** for E-Rate funding for Telecommunications Services. Compliance is required to receive funding for Internet Access, Internal Connections, or Basic Maintenance of Internal Connections.

The E-Rate program will cease to exist.

This rumor has existed since year one, and there have been attempts in Congress to kill the program, but none have come close to succeeding. Currently, congressional action is focused on reforming the program rather than ending it.

The Application Process

Schools, districts and libraries must apply for the funding. The application process includes at least three separate forms, and begins 10 months before the start of the school year. Once funding is approved, districts can choose to receive the funding as a discount on bills, or pay the full amount of invoices, then receive reimbursement.

Here are some dates to remember for the 2009-2010 funding year:

April 2008	SLD began accepting Form 470.
November 7, 2008	The first day on which the Form 471 can be filed. The 471 must be filed at least 28 days after the 470 is filed.

January 10, 2009	Last possible day to file the Form 470. The Form 470 must be completed 28 days before the close of the filing window. **Caution**: if you wait until the last possible day, you will have to select vendors, complete any necessary contracts, and file the 471 all in one day.
February 7, 2009	The deadline to file the Form 471. The dates of the filing window have not yet been released, but there have been oral commitments from USAC that it will be in early February.
April – June 30, 2009 and beyond	Funding commitment decision received.
July 1, 2009	Discounted services begin. File Form 486 within 120 days.
July 2009 – June 2010	Receive funding, either as discounts on service provider bills or reimbursements. In order to receive reimbursements, you will need to file the Form 472 (BEAR).

Calculating Your Discount

The level of discount ranges from 20% to 90%, and is based on the percentage of total enrollment which is "low-income." Low-income is defined as a student whose family's income is 185% of the poverty level or less. The easies way for a district to determine their discount is to calculate the percentage of students eligible for the National School Lunch Program. Find where the percentage fits in the left-hand column, and find the discount.

NSLP free or reduced	Urban Discount	Rural Discount
Less than 1%	20%	25%
1% to 19.5%	40%	50%
19.5% to 34.5%	50%	60%
34.5% to 49.5%	60%	70%
49.5% to 74.5%	80%	80%
Over 74.5%	90%	90%

The "Urban" vs. "Rural" distinction is made at the county level. To learn whether your county is Urban or Rural, go to www.universalservice.org/sl/applicants/step05/urban-rural/

Calculating your discount if you have more than one school

If your district has more than one school, you can file separate applications for each school, or file one application for the whole district. If you file for the district, you must use a weighted average to determine your district's discount. If you file the Form 471 online, these calculations are done automatically.

The Forms

Before we dive into the forms, here is a brief introduction to the forms you will have to fill out, so that you can see what kind of workload you are facing in order to apply for E-Rate funding.

Technology Plan

OK, it's not really a form, but it is the necessary first step. If you plan to request anything beyond basic telephone service, you will need to have a technology plan.

Form 470: Request for Bids

The purpose of the first form in the application process, the Form 470, is to provide an opportunity for service providers to see what services you will be requesting E-Rate funding for, so that competition will bring you lower prices. It fails utterly in that purpose, but you still have to fill it out. It's not a difficult form, since it usually just describes the service you are already receiving. There is no deadline for this form, but it must be submitted at least 28 days before the Form 471. File it as soon as you can. File it online.

Form 471: Description of Contract

This is the most difficult part of the process. The Form 471 reminds me of a tax form: there aren't that many blanks to fill in, but it takes time to collect the information needed to fill in each blank, and if you make a small mistake, it can cost you a lot of money. The deadline for this form varies from year to year, but will probably be in early February. File this form online.

Form 486: Start of Service

This is the simplest form, but it often forgotten. All the information you need for this form is on the Funding Commitment Decision Letter. This form should generally be filed within 120 days of July 1st. File this form online.

Form 472 (BEAR): Request for Reimbursement

You can avoid this form by having your service provider discount bills. On-Tech recommends avoiding the BEAR for most applicants; make the service provider do the work. This form requires that you collect bills and, if you don't file online, that you exchange faxes with your service provider, so it does take some time, but it is fairly straightforward. This form should generally be filed within 120 days of the last day to receive service. So for the 2009-2010 funding year, the deadline for most funding requests will be October 28, 2010.

Ideally, you should file this form online. But first check with your service providers to be sure that they are set up to certify online, and then inform them after you have submitted a BEAR online.

Avoiding Application Pitfalls

Districts have learned that the SLD and FCC are merciless when districts don't follow program rules. Here are a few issues that have tripped up many districts when applying for the E-Rate.

Have a Technology Plan First

Before you can post a Form 470 requesting bids on a service or piece of equipment, you must have a technology plan that supports the purchase of that item. While the particular item apparently does not have to be included in the plan, it must be supported in the budget and must support the educational goals of the plan. For more information, see the Tech Plans section on page 13.

Plan for the worst

If you peruse the archive of appeals to the FCC, one common theme is applicants' lack of a backup person in the E-Rate filing process. Even though the FCC is being more forgiving of applicant failures, it pays to be prepared if a business administrator unexpectedly quits the week before a deadline, or a technology coordinator goes into the hospital the day before a form is due. Plan the E-Rate process for your district with a contingency plan in case the unthinkable happens. If you do not plan to outsource management of the E-Rate process, at least two people should be aware of the E-Rate deadlines and be able to file the forms.

Don't wait to file the Form 470

The 470 must be posted at least 28 days before a vendor is chosen, so there must be at least a 28-day delay between filing the Form 470 and filing the Form 471. File the Form 470 early, to give yourself flexibility in filing the Form 471.

The filing deadline for the Form 471 depends on the post office

The filing instructions for the Form 471 say that you can file up to 11:59 p.m. on the day of the application deadline. But unless you have already received an E-Rate PIN, you must file the certification pages on paper, and they must be postmarked on that day. So the deadline for the application is really the closing time of your post office (or express mail service).

Put the Form 486 on your calendar

If you don't file the Form 486 by October 29 for services that started on July 1, you will begin slowly losing funding. Make sure to give yourself a reminder to file the Form 486 in July.

Put the Form 472 on your calendar

You cannot file a Form 472 (BEAR) after October 28 for services that ended on June 30. Make sure to give yourself a reminder to file the Form 472 in August.

Put the Form 486 and Form 472 on someone else's calendar

In case you leave your district, or get promoted to another area, be sure that your back-up knows about the deadlines for these two forms.

Application Tips

This presentation does not include complete instructions for filing E-Rate forms, but here are a few tips to help you with your applications.

File online

All the forms can now be filed online. Several common errors are caught by the online application system as you complete the form, so the chance of losing funding due to clerical errors is reduced. For the Form 470, the 28-day waiting period starts when online filers click the "Submit" button, while paper filers have to wait for the SLD to do data entry before the 28 days start.

Warning: If you plan to file the Form 472 online, be sure that your service provider is prepared to certify forms online. Not all service providers are up to speed with the online process.

Get the latest version of the form
If you insist on filing on paper, make sure you have the latest version of the form. Many of the forms changed in April 2007, and a recent FCC ruling will probably mean changes in the forms in the near future. You can find the latest version of the forms at:
www.universalservice.org/sl/tools/required-forms.aspx

Plan to complete the forms in several sittings.
Just as you wouldn't submit the first draft of a major report, don't try to complete and submit the forms in one sitting. Complete the form, then come back another day to review and submit it.

Have others review your Forms 470 and 471
Once you have completed the form, but before you submit it, have it reviewed by your technology and accounts payable personnel, to see that nothing has been left out, and that the amounts are correct.

Do the Item 21 Attachments before submitting the Form 471
At the heart of the Form 471 are the "Item 21 Attachments," which are detailed descriptions of the services requested and the costs. If you get these attachments in order before you file, you will be less likely to make mistakes on the Form 471.

Keep Your Item 21 Attachments Simple
Supply the bare minimum of information with you Item 21 Attachments. For telecommunications, include only a sentence about the type of service and the quantity. Try the online Item 21 Attachment tool. Do not send actual bills. If the SLD needs more information, they will ask for it.

Make your FRNs big
If you get several Verizon bills each month, consider combining them into one funding request. This will simplify your bookkeeping when you file the BEAR. More importantly, it makes the funding more flexible. If your costs decline on one bill, but increase on another, they will offset each other.

"When in doubt, break it out"
The exception to the previous rule is a service of uncertain eligibility. The "30% Rule" described on page 12 means that an ineligible service can cause funding for eligible services in the same request to be denied. One strategy to reduce the risk is to break that service out into its own FRN.

For example, suppose your district has four cell phones: two for principals, and two for your bus drivers, who are employees of the bus company, not district employees. The rules are not clear on the eligibility of phones used by contractors' employees. Rather than risk losing the funding for all cell phones, put the bus drivers' phones into a separate funding request, even though they are on the same phone bill.

Opt for the discount, not the BEAR
If you opt to use the BEAR, it is more paperwork for you, and you are fronting money to the USAC. There are, however two cases where you might want to do the BEAR:

1. You want to keep your telecommunications costs at pre-discount levels, and use the reimbursements for purposes outside telecommunications.
2. If you pay the full cost, then file one BEAR for the year, in the beginning of the next fiscal year, you can move this year's E-Rate funding into next year's budget.

Changes are Allowed

After approval of the funding, it is possible to change everything about a contract except the maximum amount of funding. It is quite common to change the equipment ordered, as the lag between bid and installation can be almost two years. As long as the functionality remains the same, quantities and model numbers can be changed using a "service substitution." It is also possible to change vendors through a "SPIN" change, though the requirements to do so are a bit more rigorous.

Eligible Services Overview

The program is intended to reduce the cost of voice and data communications for schools and libraries. As a general rule, almost all telephone services (local service, toll calls and long distance), Internet access, and digital lines (ISDN, T-1, frame relay, ATM) are eligible. For some districts, equipment necessary to transmit voice, video and data is also eligible.

The Eligible Services Framework is available at: www.sl.universalservice.org/reference/eligserv_framework.asp

Here are a few concepts to keep in mind when trying to decide if something is eligible.

Transport is Eligible, Creation and Storage are Not

Anything necessary to transport data, voice or video to instructional areas is eligible. This includes, for example, cabling, switches, routers, PBXes, video modulators, Web hosting and Internet access. Devices required to create or store information are not eligible. Examples of ineligible equipment and services include PCs, video cameras, file servers, VCRs, content caching and Web page creation. Two exceptions are equipment necessary to store email and voicemail.

If It Crosses the Street, You Can't Own It

Any link that stays within an applicant's "campus" like a wireless bridge between two buildings on a single piece of property is eligible for funding as an Internal Connection. However, a wireless bridge which connects two buildings on opposite sides of the street is no longer eligible as an Internal Connection. If you could find an "eligible telecommunications provider" to lease that wireless link to you, it might be eligible as a Priority One service. See the Wide Area Networks section on page 11 for more information.

Web Filtering Is Required, but Not Eligible

If your district does not filter Web content, you can receive funding only for basic telephone service. However, Web filters have been deemed not necessary to transport information, and so are not eligible for discount.

End-User Equipment and End-User Training Are Required, but Not Eligible

Equipment and training for end users is ineligible. However, you must certify that you have enough end user training and equipment to make use of the services and equipment for which you are requesting funding. If, for example, you want funding for an email server, you must be able to show that your users have been trained in using email, and that they have access to a PC with the software necessary to check their email. The training and PCs are not eligible for E-Rate funding.

Priority One vs. Priority Two

There has been some confusion about whether districts with a lower discount can expect funding. In order to ensure that all districts receive some money, eligible services were broken into two categories: Priority One and Priority Two. Priority One includes all telecommunications services (phone lines, long distance, leased lines, etc.) and Internet access. Priority Two included "internal connections," which includes items like Web servers, network cabling, and PBXes. More detailed information is available on the SLD Web site

If the demand for funding is greater than the available funds — as it always is — first all Priority One requests are funded. This means that every district, even those with no low-income students, receive discounts on telephone service, Internet access and any digital lines (T-1, ATM, ISDN, frame relay) between locations. After Priority One requests have been funded, the remaining funds are used for Priority Two requests, starting with the neediest districts. In the past, districts with a 90% discount have always received Priority Two funding, districts with a discount of 80% have rarely received funding, and districts with a discount below 80% have not received Priority Two funding.

Eligible Services List

The Eligible Services List is an attempt by the SLD to provide specific guidelines on the eligibility of services and equipment. The list evolves each year, and is getting more specific and less contradictory every year.

The Eligible Services List for 2008-2009 was released on October 19, 2007. It is available at: www.universalservice.org/sl/tools/eligible-services-list.aspx

The Eligible Service List for 2009-2010 has not yet been released, but it should be released within a few weeks.

Clarifications

A few areas of the Eligible Services List are misleading or confusing. The following comments may help clarify those areas.

Video Equipment

Equipment and cabling necessary to transport video within or among eligible locations is eligible. Equipment and cabling for the transport of broadcast or cable TV is not. If you want to create a system that does both, make sure that any components which are used only for broadcast and cable TV are separate. See the section on Ancillary Use vs. Cost Allocation on page 11.

File server

The list uses "file server" to refer to any server. So the list says that some "file servers" are eligible. In fact, a server which is used to store user files is not eligible.

Beyond the Eligible Services List

There are several areas of the Eligible Services List which can be used to make eligible projects which might otherwise not be eligible.

On-Premise Priority One Equipment

This loophole continues to tighten, but as it now stands, if you purchase a service, and the service provider installs equipment on your site and charges you the cost of that equipment, but retains ownership of the equipment and responsibility for maintenance, it can be eligible as part of a Priority One service. Be sure to read and fully understand the SLD document "On-premise Priority One Equipment" before you try this, but here are some ideas for such equipment:

- Internet router: Have your ISP supply the router that connects your LAN to the Internet.
- Fiber GBICs: If you are leasing a Wide Area Network, the equipment which sits in your location and lights the fiber must be owned by the service provider, even if it is a GBIC in a district-owned switch.

Wide Area Networks

If you plan to create a wide area network, use an "Eligible Telecommunications Provider" (ETP). You cannot own the fiber optic cable connecting your buildings, but you can lease it from an "ETP. To learn if a service provider is an ETP, go to www.sl.universalservice.org/Forms/SPIN_Contact_Search.asp and find the service provider. The search results have a column showing if the company is an eligible telecommunications provider.

There are many other guidelines to learn when trying to fund a WAN. See those guidelines at: www.sl.universalservice.org/reference/wan.asp

Ancillary Use versus Cost Allocation

If you have a device or service that includes both eligible and ineligible components, it is fully ineligible unless: 1) you can remove the cost of the ineligible components through "cost allocation" or 2) the ineligible components meet the criteria for "ancillary use." Here are two examples.

Whenever possible, you should use cost allocation. In cost allocation, you remove the cost of ineligible components from the amount you are requesting. For example, let's say you purchase a PBX with 100 phone sets. The PBX is eligible for discount, the phone sets are not. In this case, when you request bids, require vendors to separately identify the cost of the phones. Then apply for funding based only on the cost of the PBX.

Ancillary use can be used when you cannot separate the cost of ineligible items, and the product purchased is the most cost-effective means of obtaining the eligible functionality. For example, paging equipment is not eligible for E-Rate funding, but paging is a standard feature of many PBXes. As long as your RFP for a PBX does not specify the need for paging, the PBX would be fully eligible. Read the rules for "Ancillary Use" in the Eligible Services List.

Changes for 2004-2005

The FCC made several changes to the eligibility of services and equipment for 2004-2005. The most important of those changes are listed below.

Eligible in 2004 onward

Educational Purpose (Phones for Secretaries and Bus Drivers)

The FCC has loosened the rule concerning "educational purpose." The new rule states "reasonable requests for any supported service – over any technology platform – to be used by any school or library staff while in a library, classroom, or on school or library property, shall be eligible for discounts". So, for example, phone service to administrative buildings and cell phones used by bus drivers are now eligible, even if the drivers are actually employees of an outside contractor.

Voice Mail

Voice mail services and equipment are eligible for discount.

Firewalls

Districts eligible for Priority Two ("internal connections") funding can receive funding for the purchase of firewall equipment and software.

Web hosting

Districts can now receive funding for external hosting of their Web sites. Note that charges for content creation and management are still ineligible. The eligibility rules for Web hosting continue to tighten, so check with your hosting provider on the eligibility of their product.

Alarm lines

Telephone lines used to connect alarm systems are now eligible. Alarm services are not eligible.

Ineligible in 2004 onward

Dark Fiber

Districts cannot receive discounts on the lease of "dark fiber," which is fiber optic cable without modulating electronics. If the district also leases the devices to "light" the fiber, it is eligible for discount, if the service provider is an Eligible Telecommunications Provider. For more information, see the section on Wide Area Networks on page 11.

30% rule

This rule was really just codification of established practice. I include it here because this rule is a "gotcha" that most applicants find out about too late. The rule is: "If 30 percent or more of the request seeks discounts for ineligible services, the Administrator will deny the funding request in its entirety." Much of the sting has been removed from this rule by the new regulations on cost allocation, but you should still be careful.

Here's an example. Let's say your district is paying for three T-1 lines: one between two school buildings, one to the Internet, and one to the municipal building. You put them all in the same funding request. The T-1 lines between buildings and to the Internet are eligible, but the T-1 line to the municipal building is not eligible, since the municipal building is not an ineligible entity. When reviewing the application, the SLD will remove the ineligible service from the FRN.

Now the 30% rule rears its ugly head. Since more than 30% of the funding request is ineligible, the entire funding request is ineligible. That means you lose the discount for all three T-1 lines, both eligible and ineligible.

The moral of the story: "When in doubt, break it out." If you aren't sure a particular service is eligible, put it in its own funding request (FRN).

Changes for 2005-2006

The "2 in 5" Rule

The FCC recognized that applicants with high discounts have been consuming Priority Two funding disproportionately. In order to "spread the wealth," the FCC declared that applicants can only apply for Internal Connections funding twice in a five year period. Note that this rule does not apply to Basic Maintenance of Internal Connections. The rule has failed to spread the availability of Priority Two funding, but the FCC has shown no sign of rescinding the rule.

30% Rule Limited

The FCC has clarified that the 30% Rule only applies to applications where 30% of the request is for ineligible services, but cannot be used to deny funding requests where 30% of the request is unsubstantiated, or 30% of the request is for ineligible locations. In cases where 30% of the request is for ineligible services, applicants will be given the opportunity to remove the ineligible items from the funding request.

Equipment Must be Tracked, Can't be Transferred

The FCC has ruled that applicants must have an inventory system that allows them to identify at all times the location of equipment purchased with E-Rate funding. In addition, the FCC has ruled that equipment purchased for a particular location cannot be transferred from that location for three years.

Technology Plans

In the Fifth Report & Order, the FCC made several changes to its rules concerning technology planning. In general, these changes are really just codification of previous practice.
1. The technology plan must be written, though not necessarily approved, before submission of the Form 470, and applicants must certify that it will be approved before the start of service.
2. Applicants must certify on the Form 486 that a technology plan was approved before the start of service.
3. "In addition to the requirements of the EETT, technology plans [must] be supplemented by an analysis that indicates that the applicant is aware of and will be able to secure the financial resources it will need to achieve its technology aims, including technology

training, software, and other elements outside the coverage of the Commission's support program."

4. Applicants are free to make "changes in the services they order as long as those services are designed to deliver the educational applications they have prepared to provide."

Changes for 2006-2007

Eligible Services Changes

VPNs Eligible

The new proposed list would make VPN equipment and services eligible for funding under the Internet Access category. However, most of the uses for VPN equipment are ineligible, so applicants should be very careful.

New Features on the SLD Web Site

The SLD has added new features which it would like applicants to use.

Online Item 21 Attachments

The SLD is now testing and will soon release and online Item 21 Attachment tool. The tool is worth taking a look at, but does not offer significant advantages for applicants.

PINs Coming to Us All

PINs are automatically mailed to anyone who certifies a Form 470, 471 or 486. This PIN will allow you to certify forms online, without the need to print and sign the certification page of any form, including the BEAR (Form 472). If you certify a BEAR on paper, you will receive a PIN which can only be used to certify BEAR forms.

Changes for 2007-2008

FCC Changes Approach

The FCC has made a sharp change in its approach to the application process. Up until the end of 2005, the FCC was merciless with applicants who missed deadlines or made small errors. Since then, the FCC has released a string of decisions that relax the application process a great deal. For example, if an applicant misses the deadline for a Form 471 certification or Form 486 submittal, the SLD is required to notify the applicant of the missed deadline, and the applicant will have 15 days to submit the missing certification or form.

Eligible Services Changes

List Reorganized

The most significant change in the list is the format, which has created a shorter list without any loss of information.

30% Rule Restricted

The 30% Rule (see page 12) has been severely restricted by a line in the ESL that requires the SLD to explain any possible cost allocations (see page 11), and request confirmation. The 30% Rule can still catch applicants, but at least now you'll be warned and have a chance to do something about it.

Interconnected VoIP Eligible

Voice over IP (VoIP) telephone service is now eligible. As long as the VoIP service in "interconnected" (meaning calls start or end on a normal phone line), the service is eligible for E-Rate funding.

Mobile Internet Eligible

Wireless Internet access service for portable devices is now eligible. This will simplify the eligibility of Blackberry-like devices and Web-enabled cell phones.

Firewall Service Ineligible

While firewalls remain eligible as Internal Connections, firewall service is no longer eligible under Internet Access.

Web Hosting Restricted?

The new ESL contains new language on Web hosting services. "Software, services, or systems used to create or edit Internet content" are not eligible.

New Features on the SLD Web Site

The SLD has added new features which it would like applicants to use.

Online Form 472 (BEAR)

The SLD has released an online Form 472. This form allows applicants to post online, and when they submit, the service provider will be notified automatically and can certify online. No more flurry of faxes.

Warning: Not all service providers are set up to process the online Form 472. The email notification sometimes goes to a dead email address, and not all service providers have the eCert necessary to certify the form. Check with your service provider before using the online form, and notify your service provider when you have filed a form online.

"Two-in-Five" Tool

The SLD has released a tool that allows applicants to check on any entities status with respect to the 2-in-5 rule (see page 13). If you have gotten Internal Connections funding since 2005, check out this tool before you apply for more Internal Connections.

Changes for 2008-2009

SLD to Give Warnings

The FCC continues to release appeal decisions that direct the SLD to notify applicants when they have made an error, and give the applicant 15 days to fix the error. The SLD is now sending out warning letters any time an applicant is going to be denied or have funding reduced. These warning letters are supposed to explain what the problem is and how to fix it. So far, the letters have been vague, but it's a step in the right direction.

Eligible Services

The following changes were approved by the FCC.

"Basic Telephone Service" Includes Centrex

Several more services are now included in "basic telephone service." The most significant is Centrex service (PBX-like features provided by the phone company). This means that no technology plan is needed to request Centrex service, and probably also means that Centrex does not have to be specifically mentioned on the Form 470.

"Clarifications" on Web hosting

The ESL tries to further clarify the eligibility of Web hosting. The clarification is not completely successful, but it is an improvement.

Broadband over Power Lines Eligible

Broadband over Power Lines (BPL) is now eligible as a Telecommunications Service and BPL-enabled Internet service is now eligible as Internet Access.

Changes for 2009-2010

CIPA Changes

The Children's Internet Protection Act (CIPA) has been amended to require that districts' Internet Safety Policy include "educating minors about appropriate online behavior, including interacting with other individuals on social networking websites and in chat rooms and cyberbullying awareness and response." The FCC and USAC have not released any information on how this amendment will be included in the E-Rate application process, but districts should begin the process of modifying their Internet Safety Policy.

Eligible Services

While we don't have the final Eligible Services List (ESL), the proposed list released by the FCC included the following changes.

Made Eligible

- **Wide-area Ethernet** was added as an eligible digital transmission service. This service has been eligible in the past, but not explicitly mentioned.

- **Software user licenses for Interconnected Voice over IP**

Made Ineligible

- **E-mail archiving** has been found ineligible in the past, but this year's ESL clarifies the matter.

- **Intranet Web hosting.** This is part of the continuing effort to better define what sort of Web hosting is eligible, in order to rein in the increase in funding going to value-added Web hosts.

- **Video On Demand servers**: This proposal received a large amount of negative comments from the public, and may be modified for the final version.

- **Softphones** (VoIP software for computers) have always been ineligible, but this year they are explicitly listed in the ESL.

Possible Changes in the Future

The FCC has promised to create an order containing changes in policy which have been under consideration since 2005. The policy order is likely to make sweeping changes to the E-Rate program, but the details of the order are not known. Here are some of the policy changes that the FCC is considering.

Eligible Services

The FCC released a notice which described some changes to eligibility being considered. The fate of these changes may or may not be decided in time for the 2009-2010 Eligible Services List, and may not be approved at all, but the FCC is at least considering them.

Filtering

The FCC is reconsidering its interpretation of the CIPA statute to allow E-Rate funding for Internet filtering.

Expanded "Basic Telephone Service"

The FCC is considering expanding the definition of "basic telephone service" to include phone systems, VoIP service and trunk lines.

Dark Fiber

The FCC may fund dark fiber between campuses as a Priority One service.

Text Messaging

This service is being considered mainly for the administrative convenience of applicants which have telecommunications services with text messaging included.

Firewall Service

While firewall hardware continues to be eligible for Priority Two funding, firewall services are no longer eligible. The FCC wants to clarify what is eligible.

Anti-Virus/Anti-Spam

The FCC in considering making anti-virus and anti-spam software eligible for funding.

Scheduling Service

A number of video delivery services and their users have been arguing that the scheduling portion of their service, which currently must be cost-allocated out of all funding requests, should be made eligible.

Emergency Broadcast Service

The FCC seems inclined to allow this as a service, but is seeking the right way to classify the service.

Wireless Internet Access Applications

The FCC is looking at applications like bus tracking systems which use the Internet.

Other Changes

In 2005, the FCC released a notice which described a variety of program changes the FCC is considering. To date, the FCC has not made any policy decisions based on that notice, but here are some of the possible changes that seem reasonably likely.

Formulaic Funding

The new FCC Chairman has expressed support for awarding funding based on a formula. An applicant would probably have to supply a few simple numbers, and those numbers would be put into a formula, and a block of money would be given to the applicant to spend as the applicant sees fit. The only factor mentioned so far in the formula is enrollment.

Bids from the 470

The SLD has been paying more attention to the competition used in selecting a vendor, and the FCC is looking for ways to increase competition. One possible change is to require applicants to obtain at least three bids for any service requested.

More Resources

On-Tech

www.on-tech.com/erate

This handout and other E-Rate information and links are available at our Web site.

blog.on-tech.com

For a more informal discussion of the E-Rate, visit our blog. You can search for a topic of interest to you and get an insider's view.

If you have specific questions, contact us.
Email: info@on-tech.com
Phone: 732-530-5435

Schools & Libraries Division (SLD)

www.usac.org/sl

This Web site is a wealth of information, and the information is official. Start by pointing at the light blue "Schools and Library Applicants" button, and selecting the relevant step.

PA Department of Education

General E-Rate Information: www.e-ratepa.org

Other States

For a list of state E-Rate pages, see: www.edtechonline.org/e-ratelinks.php

NSLP (School Lunch) Data

PA: www.e-ratepa.org/discount_calc.htm

Other states: www.e-ratecentral.com/us/nationalSites.asp?cat=nslp